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One Hundred Eighth Congress
U.S. House of Representatives
Select Committee on Homeland Security
Washington, DC 20515

August 6, 2004

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The Honorable Tom Ridge
Secretary
U.S. Department of Homeland Security
Washington, D.C.

Dear Secretary Ridge:

During the first year of Department of Homeland Security (DHS) operations, DHS agencies paid out or obligated a combined total of \$6.7 billion to vendors and contractors, according to the DHS Fiscal Year 2003 Acquisition Report.¹

During this same period, DHS "struggled" to keep track of spending by its agencies, according to a March 2004 report the DHS Office of Inspector General (OIG), which also cautioned that "Several of the incoming procurement organizations have lacked important management controls."²

In light of these facts, I am concerned about recent reports by the General Accounting Office (GAO) and other information in the March OIG report that indicate DHS agencies continue to have difficulty managing large contracts and have not devoted enough staff, resources or high-level attention to monitoring the performance of contractors.³

For example, the Transportation Security Administration (TSA) and the U.S. Coast

¹ DHS Fiscal Year 2003 Acquisition Report

² OIG-04-21 Audit Report: Review of the Status of Department of Homeland Security Efforts to Address Its

Major Management Challenges, March, 2004, page 8

³ GAO-04-719, Report: Early Releases of Customs Trade System Operating, but Pattern of Cost and Schedule Problems Needs to Be Addressed ["Specifically, progress on overcoming human capital challenges has been slow..."], May, 2004; GAO-04-509 Report: Homeland Security Should Better Balance Need for System Integration Strategy with Spending for New and Enhanced Systems ["...progress to date on the systems integration strategy has been impeded by (1) insufficient staffing; (2) higher priority demands..."] May, 2004; GAO-04-569T, Testimony: Risks Facing Key Border and Transportation Security Program Need to Be Addressed [US-VISIT Program Office "not adequately staffed...had not established key processes for managing the acquisition and deployment..."] March, 18, 2004.

Guard had the largest total expenditures paid or obligated to major DHS contractors, according to data from the Federal Procurement Data System.⁴ Those records show that TSA spent approximately \$2.7 billion with DHS vendors.

In May, a GAO report said that spending on contracts represented about 48 percent of TSA's fiscal year 2003 budget. The report warned: "Because of TSA's significant reliance on contracts to carry out its mission, its acquisition infrastructure—including oversight mechanisms, policies and processes, acquisition workforce, and information systems—will in large part determine whether the agency succeeds in its mission."⁵

Although, TSA has adopted an impressive set of procurement policies, the GAO concluded, that "improvements to TSA's acquisition outcomes will be difficult until TSA has critical financial and procurement information systems that allow decision makers to track spending, manage budgets, and collect detailed data on goods and services, suppliers, and spending patterns."⁶ Along with the need to acquire the automated tools needed to monitor spending and contractor performance, the GAO report also warned that TSA needs to raise the procurement function to a more senior level in the agency.

"TSA's Office of Acquisition is at an organizational level too low to oversee the acquisition process, coordinate acquisition activities, and enforce acquisition policies effectively....The placement of the Office of Acquisition hinders the ability of the office to oversee the acquisition process and to coordinate with other offices involved in that process—responsibilities that are particularly critical given that almost half of TSA's budget is spent on acquisitions."⁷

In a similar vein, the DHS inspector general noted in a March 2004 report:

For example, during its first year of operation, TSA relied extensively on contractors to accomplish its mission, but some contracts were written without clearly defined deliverables, and TSA lacked the staff to provide adequate oversight. As a result, the cost of those initial contracts ballooned.⁸

⁴ The attached summary of DHS expenditures was prepared with the follow caveats: The dollars reflect contract obligations from October 1, 2002 through September 30, 2003 (FY 2003) as reported to the Federal Procurement Data System (FPDS) for DHS. There is a footnote on the report that says "as of March 15, 2004". Dollars spent/obligated outside of FY 2003 are not reflected, i.e. not cumulative. Also, the dollars shown do not represent total contract awards. This data was compiled for actions executed directly by DHS contracting officers and does not include interagency agreements with other federal departments. Also this data does not include the Federal Protective Service. The names of the "vendors" come from a unique DUNS number as defined by Dun and Bradstreet - which may not reflect the parent corporation

⁵ Page 1, GAO-04-544, Report: Transportation Security Administration (TSA): High-Level Attention Needed to Strengthen Acquisition Function Highlights, May, 2004

⁶ Page 4, GAO-04-544

⁷ Page 8, GAO-04-544

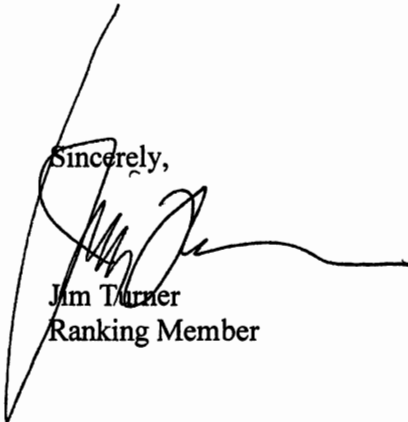
⁸ Page 8, OIG-04-21

As I previously noted, after TSA, the U.S. Coast Guard accounted for the second largest amount of total spending with DHS vendors (approximately \$707 million) including \$423 million paid to Integrated Coast Guard Systems (ICGS) under the agency's Deepwater Modernization program.⁹ Northrop Grumman Ship Systems and Lockheed Martin Corporation jointly own ICGS.

A March, 2004 GAO report said the Coast Guard's assessment of ICGS's performance in 2003 "lacked rigor" and contended that the agency's Deepwater procurement teams suffered from "understaffing, insufficient training, and inadequate communication."¹⁰ The report also said that "over a year and a half into the Deepwater contract, the key components needed to manage the program and oversee the system integrator's performance have not been effectively implemented." More broadly, the report said "...the Coast Guard has not yet begun to measure the system integrator's performance on the three overarching goals of the Deepwater program--operational effectiveness, total ownership cost, and customer satisfaction."¹¹

In order to assist us in our oversight responsibility of DHS procurements, I would ask that you direct your staff to update through July 1, 2004 the attached summary of DHS spending with its 50 largest vendors.¹² In doing so, they should indicate, which of the vendors' contracts were issued competitively. In addition, we request a briefing on the steps the department has taken in response to GAO recommendations for improving procurement oversight at DHS and especially at TSA, the Coast Guard and the Bureau of Customs Protection.

Sincerely,



Jim Turner
Ranking Member

⁹ Attachment summarizing DHS expenditures

¹⁰ Highlights section, GAO GAO-04-380 Report: Contract Management: Coast Guard's Deepwater Program: Needs Increased Attention to Management and Contractor Oversight, March, 2004

¹¹ Highlights, GAO GAO-04-380

¹² Some reported totals in the attachment differ from totals reported in the DHS FY 2003 Acquisition Report (e.g.: \$1.5 billion in spending by U.S. Coast Guard; \$2.4 billion for TSA). The OIG report on DHS management challenges notes that "DHS has also struggled to prepare a sufficiently detailed and accurate listing of its procurements. The data DHS has received to date has come from 22 different sources, does not provide total contract award information, and has not been independently validated."

DUNS Location	Total Spend	USCG Spend	TSA Spend	ICE/CIS Spend	CBP Spend	EP&R Spend	FLETC Spend	USSS Spend
1 BOEING SERVICE COMPANY	\$998,503,844		\$998,503,844					
2 UNISYS CORPORATION	\$842,058,990	\$53,000	\$625,997,817		\$14,231,803	\$1,776,370		
3 NCS PEARSON, INC	\$629,571,263		\$629,571,263					
4 INTEGRATED COAST GUARD SYSTEMS	\$423,101,070	\$423,101,070						
5 COVENANT AVIATION SECURITY, LL	\$153,223,659		\$153,223,659					
6 ACCENTURE LLC	\$104,820,341		\$104,364,079					
7 GENERAL DYNAMICS DECISION SYST	\$73,556,582	\$73,502,679		\$25,755	\$456,262			\$28,148
8 ITS SERVICES INC	\$63,797,769				\$63,442,545			\$355,224
9 VERTEX AEORSPACE LLC	\$63,247,003							
10 COOPERATIVE PERSONNEL SERVICES	\$59,878,675		\$59,878,675					
11 LOCKHEED MARTIN TECHNOLOGY'S S	\$57,081,839		\$57,081,839					
12 SCIENCE APPLICATIONS INTERNATIONAL	\$51,533,792	\$86,187	\$1,998,801					
13 DEWBERRY & DAVIS LLC	\$50,268,064			\$44,831,777	\$3,246,701	\$48,612		\$1,321,714
14 CORRECTIONS CORPORATION OF AME	\$41,443,203			\$41,443,203		\$50,268,064		
15 COMPUTER SCIENCES CORPORATION	\$39,975,288	\$2,080,018		\$37,895,270				
16 ALL STAR SERVICES CORPORATION	\$37,931,938	\$37,931,938						
17 ELECTRONIC DATA SYSTEMS CORPOR	\$37,221,222			\$37,221,222				
18 LOCKHEED MARTIN CORPORATION	\$36,637,064		\$36,637,064					
19 SAFE BOATS INTERNATIONAL LLC	\$36,551,094	\$36,064,623						
20 EG&G TECHNICAL SERVICES INC	\$31,387,797				\$486,471			
21 INTERNATIONAL BUSINESS MACHINE	\$30,898,792		\$2,920,779		\$30,483,748			\$904,049
22 ITS	\$29,297,371		\$28,297,371		\$27,930,253			\$47,760
23 PLANETGOV INC	\$29,073,542						\$584,887	
24 DELL COMPUTER CORPORATION	\$27,549,349	\$8,555,597		\$13,231,502	\$837,937	\$992,703	\$1,351,791	\$2,579,819
25 AMERICAN EUROCOPTER CORPORATIO	\$27,444,101	\$25,301,964		\$76,060	\$2,066,077			
26 BART & ASSOCIATES, INC	\$26,320,350				\$26,320,350			
27 VERIZON FEDERAL INC	\$26,180,969	\$1,532,532				\$24,648,437		
28 MOTOROLA, INC.	\$26,072,434			\$79,000	\$13,839,391			\$12,154,043
29 LOCKHEED MARTIN SERVICES INC	\$25,232,468		\$25,232,468					
30 VINNELL CORPORATION	\$25,000,000			\$25,000,000				
31 ANTEON CORPORATION (VA)	\$23,737,511	\$21,652,014	\$29,997		\$2,055,500			
32 VF IMAGEWEAR INC	\$22,666,567		\$5,539,809	\$11,383,418	\$5,743,340			
33 SCIENCE APPLICATIONS INTERNATIONAL	\$22,650,294				\$21,598,233			\$1,052,061
34 QSS GROUP, INC	\$22,287,094	\$22,287,094						
35 VION CORPORATION	\$21,459,102				\$21,459,102			
36 POST, BUCKLEY, SCHUH & JERNIGA	\$20,348,193	\$1,121,513				\$19,226,680		
37 FLUOR ENTERPRISES, INC.	\$20,087,756					\$20,087,756		
38 LOCKHEED MARTIN CORPORATION	\$19,778,417	\$19,778,417						
39 NATIONAL DEFENSE INDUSTRIAL AS	\$18,396,268							
40 MC NEIL TECHNOLOGIES, INC	\$18,368,595		\$18,396,268					
41 AKAL SECURITY INC	\$18,085,449		\$18,368,595					
42 CHENEGA TECHNOLOGY SERVICES CO	\$18,015,364			\$17,348,297	\$737,152			
43 USIS-PSD	\$17,790,100		\$5,390,105	\$12,399,995	\$17,584,578	\$430,786		
44 DELOITTE CONSULTING L.P.	\$17,789,329		\$16,289,329		\$1,500,000			
45 BEARINGPOINT, L.L.C	\$17,557,472	\$980,044		\$8,514,718				
46 MICHAEL BAKER JR INC	\$17,222,160	\$1,220,209				\$16,001,951		
47 ALLIED TECHNOLOGY GROUP INC	\$16,880,446	\$16,082,987				\$487,881		
48 NISTAC	\$16,579,822					\$16,579,822		
49 MPC-G, LLC	\$16,569,931	\$16,521,931					\$48,000	
50 ALLTECH, INC.	\$16,298,134					\$16,298,134		
	\$4,287,427,877	\$707,853,817	\$2,796,784,472	\$249,450,217	\$346,084,679	\$166,827,196	\$1,984,678	\$18,442,818
As of March 15, 2004								
Note: Vendor is defined as a unique DUNS number - not parent corporation.								
This report includes information regarding individual actions reportable to the Federal Procurement Data System (typically actions exceeding \$25K)								
This report only includes information regarding contracts issued by DHS contracting officers and does not include the Federal Protective Service								